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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

23 October 1963

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Gaullist France and Communist China

SUMMARY

Of late there has been a flurry of rumors that Paris is exploring possible deals with Communist China and North Vietnam. We doubt that de Gaulle has a "grand design" for the Far East. Nonetheless, we believe that the French are (a) seeking increased trade with China, (b) considering recognition of Peiping, and (c) suggesting to both Hanoi and Saigon the possibility of a future negotiated settlement in Vietnam through French mediation. Additionally, we believe that the Chinese Communists have probably made overtures for closer relations with France, as part of a larger program for increasing contacts with Europe and Japan. All this French-Chinese-Vietnamese motion has not suddenly been initiated by the French; rather, it is a blossoming of vague French and Chinese designs which have been under way for some time. The tempo has perhaps been increased by French attitudes toward the test ban and toward events in Vietnam, and by greater recognition by Peiping both of these French attitudes and of its own need of certain key imports. There will probably be continuing French-Chinese-Vietnamese contacts, but we believe that serious French initiatives toward Peiping and Hanoi will be limited in scope, and determined primarily by de Gaulle's estimates of (a) what the traffic will bear with respect to Washington, and (b) of the course of the US-GVN-Viet Cong tangle.

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GROUP 1

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French Policy

1. There have been several recent indications that France may now be undertaking a more active policy with respect to Peiping and Hanoi:

a. De Gaulle himself has made two references to France's special interest in Vietnam and similarly divided nations, and there have been various indications of French interest in a possible Hanoi-Saigon rapprochement.

b. Former French Premier Edgar Faure has just arrived in Communist China on a "private" visit, reportedly at the request of de Gaulle. It will be recalled that Faure, following an earlier visit to China, wrote a book which tends to give the Peiping regime the benefit of the doubt.

c. De Gaulle, talking to the British Ambassador in Paris in mid-July, is quoted by the latter as having argued that relations between China and Russia were really no different than in the time of the Czars and Emperors, that the Chinese had adopted communism not out of ideological conviction but as a way of disciplining and organizing their vast country, and that it would be "quite logical" for countries which had not recognized Communist China to do so.

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d. Several recent newspaper stories from Paris also state that the French Government now considers it "logical" for France and Communist China to draw closer together. The Embassy reports that these stories were based on interviews with French Foreign Minister Couve de Murville, just back from his US trip.

e. We know that Couve stated, in his Washington talks, that France's experience has led Paris to recognize the desirability of consulting Communist China in instances where Vietnam is concerned.

f. An unofficial but government-encouraged French trade delegation has just returned from China with great expectations, as have recent trade delegations from West Germany and the UK.

2. There can be no doubt that the French are keenly interested in greater trade with Communist China, all the more so in view of present sharp competition for expanding markets there from the British, the Germans, and others. The level of Sino-French trade will be limited by France's willingness to absorb the products which China has available for export. Also the French are likely to run into trouble in selling a variety of items the

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Chinese want, for example, the Caravelle jet, which reportedly would have to be almost completely rebuilt, at prohibitive retooling costs, to avoid complications with the COCOM and the US. France's problem of absorbing Chinese exports could be eased, however, by the fact that China could pay in cash for at least some of its imports from France, and (as the French Consul General in Hong Kong has suggested) by developing a triangular trade in which Hong Kong would sell some Chinese products in Africa and the earnings would be used to pay for Peiping's purchases from France.

3. It is more difficult to say how much further the French aspire to go at this stage. Having already got a certain political mileage out of a mere show of interest in Far Eastern matters, de Gaulle must now decide whether the risks of a more positive policy are worthwhile. All things considered, we believe that de Gaulle is moving toward a more active China policy. This does not mean precipitous or major initiatives, but various continuing French gestures and explorations designed to take advantage of changing circumstances, including Sino-Soviet hostility, so as to reassert French interests in the Far East and lay the groundwork for greater future action should propitious circumstances arise. De Gaulle presumably remains interested in an eventual accommodation between a French-led Western Europe and the USSR, and

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continues to hold a "yellow peril" view of a future vast China. He nevertheless appears to look upon Peiping and Moscow as antagonists to be played off against each other whenever possible, and probably believes that gestures toward China would have a salutary effect in reminding Khrushchev of the desirability of coming round to an understanding with the West. A more active French policy in the Far East would accord with de Gaulle's general course of showing the tricolor and asserting France's position as a world power. Test ban developments and pique at the US and the UK must also propel the French in the direction of greater association with the Chinese outcasts, though we do not consider these major factors.

4. Finally, and most importantly, French policy toward China is also influenced by its aspirations, regarding IndoChina. France probably does not have a single, detailed "master plan" for IndoChina. Nonetheless, it seems fairly clear that de Gaulle does have the general aim of reestablishing as much as possible of France's former influence and presence in this area. It seems equally clear that he regards the American presence and influence in the IndoChina area as impermanent. Indeed, a number of important Frenchmen probably feel that French influence in IndoChina cannot be significantly expanded without a concomitant reduction in the influence and presence of the American "usurpers." Thus,

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French "policy" with respect to IndoChina (and China) is the product both of certain French "activists" and of de Gaulle's willingness to permit certain diplomatic or clandestine probes to be tried and tested. It seems increasingly likely that French pursuit of these aims is also guided by certain French estimates of the IndoChinese situation, viz. that North Vietnam is not going to be militarily defeated, or even really contained, by the Laotians or South Vietnamese, even with US help; that in the not too distant future North Vietnam is bound to become the predominant power in IndoChina (momentarily disregarding the China factor); and that long-term French -- and Western -- interests lie in adjusting to the inevitable rather than in vainly trying to fight it.

5. Although these considerations concern all of the Indo-China area, they apply most of all to South Vietnam. Saigon is the center of what the French have for years regarded as an open American effort to supplant their influence, after they were defeated in IndoChina in 1954. The French have never really accepted Diem. We have some evidence that they may have been busy for almost the past year in working for a neutral "solution" in Vietnam. Now, the past few months' political crisis and US-GVN estrangement have provided the French with opportunities they have not heretofore enjoyed.

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Although our evidence is neither hard nor conclusive, it would appear that the French have offered communications channels and their services as "honest brokers" for conversations between Saigon and Hanoi. There are also grounds for thinking that the French have in some manner dangled in front of Nhu's eyes the carrot of increased economic aid to offset the effects of US aid curtailment should Saigon's policies take a more neutralist turn. We doubt, however, that France has in any way bound itself to a positive expenditure of funds or given any commitment of support involving manpower or appreciable quantities of materiel.

Chinese Communist Policy

6. The Sino-French contacts we are now seeing are also in part a fruition of about three years of Chinese initiatives to broaden contacts with the industrial West. Ever since mid-1960, when the drastic decline of Soviet technical assistance began, China has sought to develop alternate markets and sources outside the Bloc. However, even though the greater part of China's trade is now outside the Bloc, the economic distress of China has meanwhile resulted in a decline of its trade levels with many of the key non-Bloc countries as well, with China's total trade (Bloc and non-Bloc) falling from about \$3,925 million in 1960 to about \$2,535 million in 1962. In those areas where China's trade has not fallen off, large imports of food, particularly grain, have been the

main reason. Such has been the case with France, which alone of the major European countries has kept up a fairly constant level of trade with China in this period:

Chinese Trade with Selected Countries
(Exports plus Imports)

	<u>1960</u>	<u>1961</u>	<u>1962</u>
<u>France</u> (US \$ millions)	75.5	52.3	60.2
<u>U.K.</u>	159.5	122.9	88.9
<u>West Germany</u>	164.8	70.2	70.4
<u>Italy</u>	68.3	42.0	33.1
<u>USSR</u>	1,665.4	919.0	750.0

7. In the past year China has shown interest in obtaining a wide variety of goods from France and other industrial countries: jet aircraft, computers, electronics, cargo ships and shipbuilding equipment, POL, chemicals and synthetics, machine tools, agricultural machinery, high grade alloys, telecommunications equipment, fertilizers, and grain. Such Chinese interest is primarily caused by economic necessity. This is not to say that Peiping is not also cognizant of important political by-products: among them, breaking out of its isolation, assisting its UN aspirations, and dividing the US from its Allies. China's leaders probably also consider that France's interest in a Vietnam settlement gives them some leverage

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in negotiating with Paris. And, though we have no such indication as yet, we do not rule out the possibility that Peiping may already have sounded out the French on possible import by China of items of assistance to its nuclear program.

8. It should be noted that China's overtures toward France are not isolated developments, but part of a larger, more active phase of Chinese economic diplomacy of late also involving the UK, Japan, West Germany, Denmark, Sweden, and the Netherlands. These Chinese moves, accelerating trends under way over the last three years, may be part of a possible Chinese decision that domestic prospects are so bleak that Peiping must repair its course toward Europe and Japan.

What next.

9. We should probably expect more indication of Paris-Peiping-Hanoi contact, a modestly rising level of Sino-French trade, and lots of rumors of French activity -- some of them French-inspired. In fact, however, the rate of French movement concerning China and Vietnam will probably be determined primarily by de Gaulle's estimates (a) of what the traffic will bear with respect to Washington, and (b) of the course of the US-GVN-Viet Cong tangle. We should expect French encouragement of a Vietnam settlement to continue in any case, and to accelerate in the event the US outlook in South Vietnam should

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darken. We by no means rule out French recognition of Peiping at some time in the near future. We doubt, however, that the French consider that providing nuclear aid to China would benefit French interests or be worth the many risks involved.

FOR THE BOARD OF NATIONAL ESTIMATES:

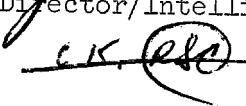


SHERMAN KENT
Chairman

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4	DCI	11/2/63	fr	
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MEMORANDUM FOR: Mr. Sherman Kent

DCI approves your recommendation.

W. Elder

2 Nov 63

(DATE)

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